

## Required Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
General and Major Special Revenue Funds**

Fiscal Year Ended June 30, 2004  
(Dollars in Thousands)

	General Fund			Final/Actual
	Original	Final		Variance
	Budget	Budget	Actual	Positive
				(Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 7,233,043	\$ 7,278,421	\$ 7,430,365	\$ 151,944
Sales and Use	2,469,694	2,526,558	2,582,797	56,239
Corporation Income	320,058	374,203	434,493	60,290
Public Service Corporations	83,800	84,400	86,870	2,470
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	336,100	347,800	351,278	3,478
Other Taxes	470,038	585,476	668,380	82,904
Rights and Privileges	66,500	65,900	69,809	3,909
Sales of Property and Commodities	9,100	9,200	2,035	(7,165)
Assessments and Receipts for Support of Special Services	400	400	306	(94)
Institutional Revenue	9,300	9,300	9,633	333
Interest, Dividends, and Rents	87,948	79,572	86,719	7,147
Fines, Forfeitures, Court Fees, Penalties, and Escheats	200,100	194,500	193,675	(825)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,400	9,400	8,962	(438)
Private Donations, Gifts and Contracts	-	-	1	1
Tobacco Master Settlement	53,000	50,500	51,359	859
Other	85,557	90,671	68,411	(22,260)
Total Revenues	11,434,038	11,706,301	12,045,093	338,792
Expenditures:				
Current:				
General Government	1,577,333	1,452,975	1,407,323	45,652
Education	5,490,550	5,300,885	5,272,151	28,734
Transportation	72,974	48	48	-
Resources and Economic Development	222,707	223,275	214,116	9,159
Individual and Family Services	2,838,051	2,917,733	2,907,139	10,594
Administration of Justice	1,899,963	1,928,911	1,906,455	22,456
Capital Outlay	16,210	32,788	17,830	14,958
Total Expenditures	12,117,788	11,856,615	11,725,062	131,553
Revenues Over (Under) Expenditures	(683,750)	(150,314)	320,031	470,345
Other Financing Sources (Uses):				
Transfers:				
Transfers In	784,558	749,172	697,884	(51,288)
Transfers Out	(213,652)	(433,299)	(463,135)	(29,836)
Total Other Financing Sources (Uses)	570,906	315,873	234,749	(81,124)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(112,844)	165,559	554,780	389,221
Fund Balance, July 1, as restated	554,791	554,791	554,791	-
Fund Balance, June 30	\$ 441,947	\$ 720,350	\$ 1,109,571	\$ 389,221

See notes on page 161 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
398,000	395,800	397,700	1,900
-	-	-	-
-	-	-	-
862,000	845,100	871,454	26,354
546,000	573,600	588,922	15,322
-	-	-	-
-	-	13,015	13,015
239,000	217,400	461,157	243,757
-	-	4,512	4,512
-	-	16,238	16,238
-	-	-	-
11,500	9,900	22,376	12,476
-	-	9,319	9,319
1,068,800	1,068,800	630,620	(438,180)
45,500	45,500	39,613	(5,887)
-	-	-	-
-	-	-	-
154,300	143,300	25,232	(118,068)
3,325,100	3,299,400	3,080,158	(219,242)
3,513	1,627	1,627	-
-	2,173	2,236	(63)
3,210,258	4,002,990	2,888,377	1,114,613
2,335	2,163	1,916	247
-	-	-	-
6,947	6,947	5,749	1,198
76,456	68,819	17,486	51,333
3,299,509	4,084,719	2,917,391	1,167,328
25,591	(785,319)	162,767	948,086
-	150,221	221,260	71,039
(151,504)	(343,734)	(349,569)	(5,835)
(151,504)	(193,513)	(128,309)	65,204
(125,913)	(978,832)	34,458	1,013,290
1,279,568	1,279,568	1,279,568	-
\$ 1,153,655	\$ 300,736	\$ 1,314,026	\$ 1,013,290

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
General and Major Special Revenue Funds** *(Continued from previous page)*

Fiscal Year Ended June 30, 2004  
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Public Service Corporations	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	100	87	33	(54)
Sales of Property and Commodities	128	294	153	(141)
Assessments and Receipts for Support of Special Services	-	-	1	1
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	518	405	581	176
Fines, Forfeitures, Court Fees, Penalties, and Escheats	34	41	70	29
Federal Grants and Contracts	3,791,860	5,126,470	5,203,969	77,499
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	68,726	107,678	61,861	(45,817)
Total Revenues	3,861,366	5,234,975	5,266,668	31,693
Expenditures:				
Current:				
General Government	21,865	264,245	208,045	56,200
Education	474,035	905,677	758,587	147,090
Transportation	10,272	13,918	11,180	2,738
Resources and Economic Development	174,315	244,365	186,535	57,830
Individual and Family Services	3,238,344	3,822,103	4,152,126	(330,023)
Administration of Justice	49,228	65,849	51,832	14,017
Capital Outlay	13,577	39,088	19,081	20,007
Total Expenditures	3,981,636	5,355,245	5,387,386	(32,141)
Revenues Over (Under) Expenditures	(120,270)	(120,270)	(120,718)	(448)
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	19,585	19,585
Transfers Out	(83)	(83)	(19,220)	(19,137)
Total Other Financing Sources (Uses)	(83)	(83)	365	448
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(120,353)	(120,353)	(120,353)	-
Fund Balance, July 1, as restated	120,353	120,353	120,353	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

See notes on page 161 in this section.

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds**

**1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE (1)**

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2004, to the fund balance on a modified accrual basis follows.

**Fund Balance Comparison  
Budgetary Basis to GAAP Basis  
June 30, 2004**

*(Dollars in Thousands)*

	<b>General Fund</b>	<b>Commonwealth Transportation Fund</b>	<b>Federal Trust Fund</b>
Fund Balance, Basis of Budgeting	\$ 1,109,571	\$ 1,314,026	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	406,134	100,014	-
Tax Refunds	(231,367)	-	-
Other Revenue/Other Sources	(6,146)	96,345	315,647
Deferred Taxes (2)	(231,400)	-	-
Medicaid Payable	(170,591)	-	(256,225)
Accrued Expenditures/Other Uses	(429,962)	(189,756)	(38,308)
Fund Balance, Modified Accrual Basis	<u>\$ 446,239</u>	<u>\$ 1,320,629</u>	<u>\$ 21,114</u>

(1) As discussed in Note 1.E., the Literary Fund has no approved budget.

(2) See also Note 1.Q.

**2. APPROPRIATIONS**

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2004, except the Literary Fund which has no approved budget.

<i>(Dollars in Thousands)</i>	<b>General Fund (8)</b>	<b>Commonwealth Transportation Fund (10)</b>	<b>Federal Trust Fund (9)</b>
Appropriations (1)	\$ 12,117,788	\$ 3,322,573	\$ 3,981,636
Supplemental Appropriations:			
Reappropriations (2)	132,830	78,119	41,037
Subsequent Executive (3)	76,653	831,810	892,740
Subsequent Legislative (4)	115,000	117	241,562
Capital Outlay Reversions (5)	(1,397)	(8,100)	(1,175)
Transfers (6)	(578,811)	160,253	223,920
Capital Outlay Adjustment (7)	(5,448)	(76,456)	(24,475)
Appropriations, as adjusted	<u>\$ 11,856,615</u>	<u>\$ 4,308,316</u>	<u>\$ 5,355,245</u>

1. Represents the budget appropriated through Chapter 943, 2004 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.2 billion (General Fund) for transfers to component units that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. Prior year reversions of \$8,828,849 (General Fund) are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
9. Appropriations do not include food stamp issuances of \$470 million since this is a noncash item; however, this amount is included in actual expenditures.
10. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of \$223.6 million. These amounts are included above.

## Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Biennial Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) - Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<b>Virginia Retirement System (VRS) **</b>						
2003	\$ 39,243	\$ 40,698	\$ 1,455	96.4%	\$ 10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,967	35,384	(2,583)	107.3%	10,145	(25.5%)
* 2000	34,374	32,637	(1,737)	105.3%	9,529	(18.2%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
* 1996	19,032	23,842	4,810	79.8%	7,769	61.9%
1994	14,891	20,405	5,514	73.0%	7,274	75.8%
<b>State Police Officers' Retirement System (SPORS)</b>						
2003	\$ 509	\$ 616	\$ 107	82.6%	\$ 79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
* 1996	243	371	128	65.5%	60	213.3%
1994	201	277	76	72.6%	58	131.0%
<b>Virginia Law Officers' Retirement System (VaLORS)</b>						
2003	\$ 458	\$ 854	\$ 396	53.6%	\$ 292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
*** 2000	307	680	373	45.1%	315	118.4%
<b>Judicial Retirement System (JRS)</b>						
2003	\$ 282	\$ 348	\$ 66	81.0%	\$ 48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%
* 1996	138	243	105	56.8%	36	291.7%
1994	115	199	84	57.8%	33	254.5%

See Notes on following page.

- 
- \* Revised economic and demographic assumptions due to experience study.
- \*\* Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.
- \*\*\* The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

Notes:	Valuation Date:	June 30, 2003
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, closed
	Political Subdivision Employees	Level percent, open
	Teachers	Level percent, closed
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	3.00%
	Remaining Amortization Period:	
	State Employees	23 years
	Political Subdivision Employees	0 to 30 years
	Teachers	23 years
	State Police / VA Law Officers / Judges	23 years
	Asset Valuation Method:	Modified Market
	Actuarial Assumptions:	
	Investment Rate of Return (1)	8.00%
	Projected Salary Increases (1)	
	State / Political Subdivision Employees	4.25% to 6.30%
	Teachers	4.00% to 7.00%
	State Police / VA Law Officers	4.50% to 5.75%
	Judges	5.00%
	Cost of Living Adjustments	3.00%

(1) Includes inflation at 3.00%.

## Claims Development Information – Risk Management

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1995	1996	1997	1998
1. Required contribution and investment revenue:				
Earned	\$ 5,891	\$ 6,875	\$ 6,664	\$ 7,537
Ceded (a)	-	-	-	-
Net earned	5,891	6,875	6,664	7,537
2. Unallocated expenses	287	595	453	464
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	3,931	3,706	2,095	2,760
Ceded (a)	-	-	-	-
Net incurred	3,931	3,706	2,095	2,760
4. Net paid (cumulative) as of:				
End of policy year	804	254	286	434
One year later	2,383	1,995	1,680	2,651
Two years later	3,540	3,312	2,602	3,261
Three years later	3,854	4,385	2,907	3,894
Four years later	4,043	4,605	3,028	4,183
Five years later	4,129	4,684	2,965	4,272
Six years later	4,174	4,559	3,063	4,314
Seven years later	3,699	4,613	3,065	
Eight years later	3,819	4,614		
Nine years later	3,828			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	3,931	3,706	2,095	2,760
One year later	4,705	3,977	3,352	4,080
Two years later	4,472	4,957	3,160	3,934
Three years later	4,458	5,016	3,300	4,565
Four years later	4,248	4,936	3,314	4,353
Five years later	4,335	4,966	3,052	4,378
Six years later	4,308	4,689	3,180	4,419
Seven years later	3,769	4,621	3,180	
Eight years later	3,917	4,622		
Nine years later	3,908			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	(23)	916	1,085	1,659

The Commonwealth provides errors and omissions liability insurance, law enforcement professional liability insurance, and commuter rail insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 168 in this section.



1999	2000	2001	2002	2003	2004
\$ 6,780	\$ 6,478	\$ 5,814	\$ 5,324	\$ 5,740	\$ 5,729
-	-	-	-	-	-
6,780	6,478	5,814	5,324	5,740	5,729
703	1,223	1,863	924	918	1,209
2,719	2,263	2,688	4,110	3,488	2,861
-	-	-	-	-	-
2,719	2,263	2,688	4,110	3,488	2,861
439	196	336	550	380	161
2,100	2,688	1,628	1,979	1,894	
2,938	3,322	2,388	2,291		
4,555	3,369	2,490			
4,873	3,447				
4,931					
-	-	-	-	-	-
2,719	2,263	2,688	4,110	3,488	2,861
5,509	4,801	3,752	4,458	3,237	
5,997	4,467	3,318	4,196		
5,769	3,589	3,270			
5,146	3,575				
5,955					
3,236	1,312	582	86	(251)	-

## Claims Development Information – Health Care

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1995	1996	1997	1998
1. Required contribution and investment revenue:				
Earned	\$ 40,468	\$ 38,321	\$ 48,493	\$ 54,089
Ceded (a)	-	-	-	-
Net earned	40,468	38,321	48,493	54,089
2. Unallocated expenses	2,428	3,305	4,445	5,286
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	33,731	41,232	46,895	60,657
Ceded (a)	-	-	-	-
Net incurred	33,731	41,232	46,895	60,657
4. Net paid (cumulative) as of:				
End of policy year	30,177	39,276	40,631	53,219
One year later	33,731	41,232	46,895	-
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	33,731	41,232	46,895	60,657
One year later	33,731	41,232	46,895	60,657
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 168 in this section.

1999	2000	2001	2002	2003	2004
\$ 64,419	\$ 75,569	\$ 88,313	\$ 100,836	\$ 118,825	\$ 137,582
-	-	-	-	-	-
64,419	75,569	88,313	100,836	118,825	137,582
6,632	6,997	7,203	6,225	6,171	6,271
70,719	76,816	87,222	95,860	104,453	124,887
-	-	-	-	-	-
70,719	76,816	87,222	95,860	104,453	124,887
62,219	68,336	74,579	80,974	99,443	99,656
-	-	-	-	-	-
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
70,719	74,417	87,222	95,860	104,453	124,887
70,719	74,417	87,222	95,860	104,453	124,887
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	(2,399)	-	-	-	-

## Notes for Claims Development Information Tables

---

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

### Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.